



State of Alaska Long-Term Care Plan

Planning for a great future

No one likes to think about anything but a bright future. You could live to be 100 and never need long-term care. However, research suggests that about half of today's older people will spend some time in a nursing home—from as little as a few weeks to as much as five years or more. The financial and emotional impact can be devastating. Having long-term care coverage gives you control over your assets and your care choices—and peace of mind to enjoy today knowing that tomorrow is secure.

The Alaska Long-Term Care Plan offers comprehensive and affordable options. All retirees should consider this vital protection against the high costs of long-term care.

Why long-term care insurance?

What is long-term care? Long-term care is the extended care you need because of a chronic illness, injury, or the frailties of old age. Long-term care provides you with assistance in the basic activities of daily living, such as bathing, dressing, or eating.

Long-term care is different from treatment that you get from a doctor or a hospital. It is different from temporary treatment you receive for a condition such as a heart attack from which you can recover. Long-term care is the extended care you typically receive at home—from a nurse or a home health aide—or that you receive in a nursing home, assisted living facility or adult day-care center.

Medicare and health plans, including the retiree medical plan, typically provide little or no long-term care coverage. Even if you have Medicare supplemental insurance—called “medigap”—you will receive very limited long-term care benefits. These plans pay for hospital and doctor care—not the extended or personal care you need if you require long-term care. Medicaid covers long-term care only after you have exhausted most of your own assets paying for care.

Long-term care is expensive

The cost of long-term care can be very high. The cost of a year in a nursing home in Alaska ranged from \$46,000 to \$60,000 in 1996 and the cost is rising each year. Care at home can cost from \$50 to \$200 per day, depending on the level of care.

Most people find paying for long-term care costs out of pocket to be financially and emotionally draining. Yet that's how most people pay for long-term care. Assets you've worked a lifetime to build could be lost. Long-term care coverage from the retirement system (or another plan you might choose) gives you the peace of mind to know that you and your assets are protected and that you can make choices for your care.

The options

Retirees enrolled in the existing Long-Term Care option, the Bronze Option, can choose to stay in that option. If you are not enrolled now, or if you want to increase your coverage, you can select one of three new options:

Silver Option

This option has a \$400,000 lifetime maximum benefit and does not include inflation protection.

Gold Option

This option begins at a \$300,000 lifetime benefit and includes simple inflation protection for the lifetime maximum and daily benefit amounts.

Platinum Option

This option begins at a \$300,000 lifetime benefit and includes compound inflation protection for the lifetime maximum and daily benefit amounts.

All new options cover the same services—nursing home care, assisted living facilities, home health care, respite care, and hospice care. The only difference between the options is the beginning lifetime maximum benefit and the type of inflation protection offered.

The existing Bronze Option has substantial differences from the new options. In addition to lower benefit maximums, it does not offer inflation protection and does not cover assisted living facilities (except when approved in lieu of other types of care), respite care, or hospice care. Please see the *Options at a glance* chart for a comparison of the options.

Inflation protection

We hear about inflation every day. Inflation means that in the future the products and services we buy will cost more than they cost today.

It is important to consider what effect inflation can have on the cost of long-term care and how inflation can affect the value of the coverage you buy today. Many people buy long-term care insurance many years before they might need it. If they do not plan for the effects of inflation, they might find that their coverage is inadequate in the future.

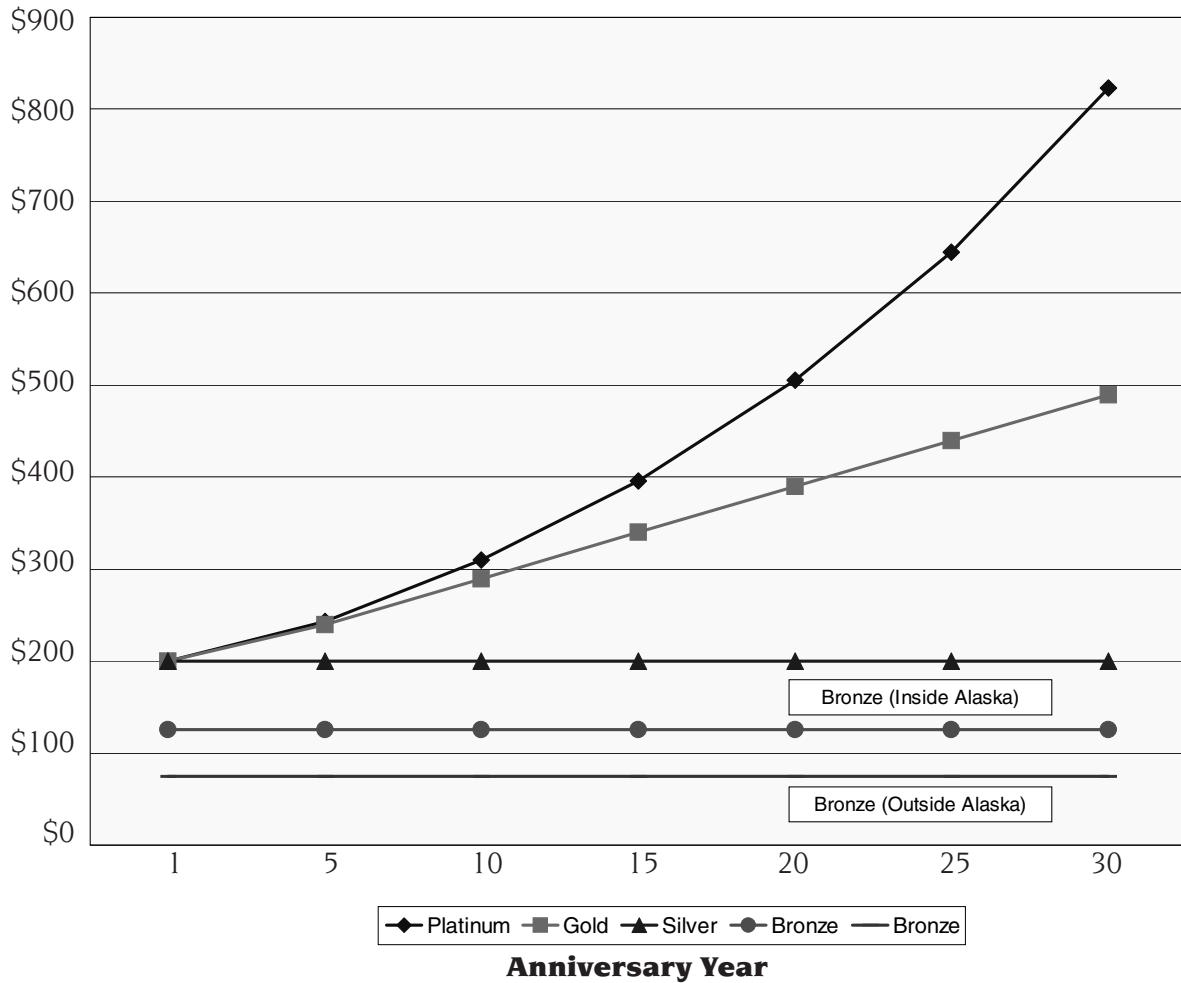
Experts estimate that the cost of long-term care will continue to increase by 5% annually. The Alaska Long-Term Care Plan considers these inflation estimates and offers two inflation protection options. The Gold Option offers simple inflation protection at 5% of the original benefit amounts annually while the Platinum Option offers compound inflation protection at 5% of the prior year's benefit amounts annually.

The following charts show how your daily and lifetime benefit amounts will change with simple (Gold Option) and compound (Platinum Option) inflation protection.

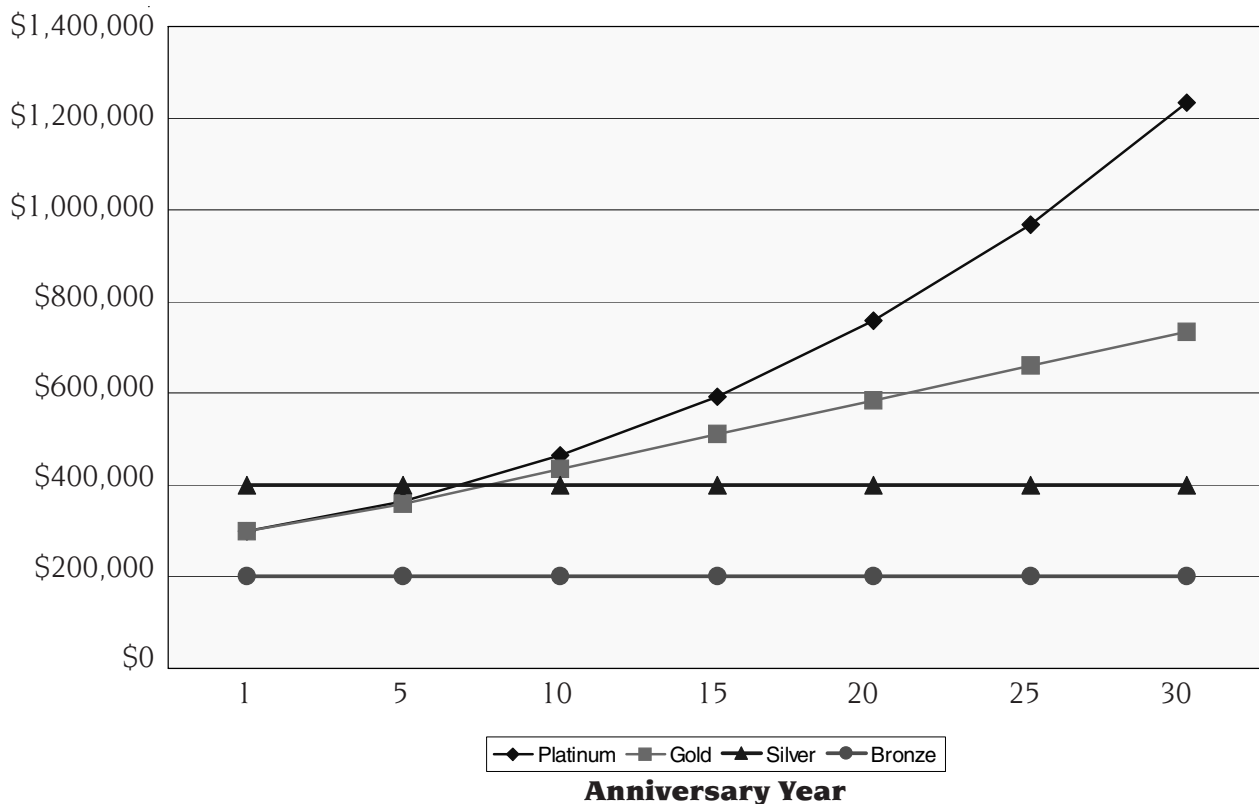
The inflation protection is automatic—benefit amounts, both daily and lifetime, will increase on the anniversary of your enrollment into the Long-Term Care Plan. Even when you begin to receive benefits, your benefit amounts will continue to increase annually.

Options with automatic inflation protection cost more initially, since they include the annual increases you need to keep pace with inflation. With these inflation protection options, your premium remains level and will not increase even though your benefit amounts increase each year.

Nursing Home Daily Benefit Amount



Lifetime Maximum Amount



When do benefits start?

The activities of daily living

We perform many activities on a daily basis that we take for granted—bathing, getting dressed, or eating. Age, illness or disability can affect our ability to perform these activities. We need long-term care when we need help performing these essential everyday activities.

There are six activities of daily living that are recognized as the national standard for tax-qualified long-term care plans. If you need help with two of the six activities of daily living, you could qualify for long-term care benefits.

The six activities of daily living are:

- Bathing—your ability to wash yourself in the tub, shower or by a sponge bath.
- Continence—your ability to maintain control of bowel and bladder functions; and when unable, the ability to perform associated personal hygiene (i.e. caring for catheter or colostomy bag).
- Dressing—your ability to put on or take off your clothes. You may need help fastening buttons or zippers.
- Eating—your ability to feed yourself. You may need help grasping utensils, getting food to your mouth and cleaning your face and hands after a meal.
- Toileting—your ability to safely get to and from the toilet and perform basic personal hygiene.
- Transferring—your ability to move in and out of the bed or chair.

Cognitive disorders

Some people can perform their daily activities without help but may need care because they have problems with their memory or orientation. Severe cognitive impairment, such as confusion, disorientation, or memory loss, can result from conditions such as Alzheimer's Disease. Individuals with cognitive impairment need supervision to ensure their safety and the safety of those around them.

Resources

A Shopper's Guide to Long-term Care Insurance

National Association of Insurance Commissioners
120 West Twelfth Street, Suite 1100
Kansas City, MO 64105-1925
www.naic.org

Consumer Information: Guide to Long-term Healthcare

America's Health Insurance Plans
601 Pennsylvania Avenue, NW
South Building
Suite 500
Washington, DC 20004
www.hiaa.org

AARP's Before You Buy: A Guide to Long-Term Care Insurance

American Association of Retired Persons
601 E St. NW
Washington, DC 20049-0003
www.aarp.org